

SEP 22 1998

CONCORD, N.H.

February 17, 1955.

Mr. W. G. Phillips, Bank Commissioner
State House
Concord, N. H.

Re: Interpretation of Rider
on Bankers' Blanket Bonds

Dear Mr. Phillips:

In view of the command of Revised Laws, Chapter 307, section 12 that you require each banking institution under your supervision to provide for the reasonable protection or indemnity of such institution against losses from such dishonest or criminal acts as you may determine and the further command of that section of the law that the insurance commissioner shall determine whether the form of any document offered for such purpose by any institution complies with your requirements your inquiry of February 10, 1955, in which I understand the Deputy Insurance Commissioner joins, is answered as follows:

The form of rider providing, "No cancellation or termination of this bond, as an entirety, whether by or at the request of the Insured or by the Underwriter, shall take effect prior to the expiration of _____ days after written notice of such cancellation or termination has been filed with _____ unless an earlier date of such cancellation or termination is approved by said _____" by the inclusion of the words "as an entirety" renders the bond provisions ambiguous so it could be argued as reasonably that only complete cancellation is affected by the rider as it could be argued that any change affecting the scope of the bond must be subject to the notice and waiting period requirements.

I understand that you desire to be notified if the amount of the bond is to be reduced, or some coverage under the bond terminated with respect to some employees or if the bond is modified in any other material way.

(W. G. Phillips, Bank Commissioner)

I recommend that clear, unequivocal language be used in such riders to meet the required approval and for what it may be worth I suggest that the following would eliminate the ambiguity in the rider and clarify your requirements both with respect to the bank and the insurer under bankers' blanket bonds.

1. The attached bond is hereby amended by adding to the section thereof providing for cancellation or termination of such bond an additional paragraph as follows:

"No cancellation, termination or modification of this bond, whether by or at the request of the Insured or by the Underwriter, shall take effect prior to the expiration of _____ days after written notice of such cancellation, termination or modification has been filed with _____ unless an earlier date of such cancellation, termination or modification is approved by said _____."

It appears essential for your determination of whether reasonable protection or indemnity of banking institutions against loss has been provided that you be aware of changes in bankers' blanket bonds as they occur. Ambiguities such as those in the rider form submitted should be resolved before it becomes necessary to litigate the meaning of the text.

Copy of this letter has been sent to Simon M. Sheldon, Deputy Insurance Commissioner. If I can help further in this problem I shall be pleased to do so.

Very truly yours,

George F. Nelson
Assistant Attorney General

CFN:1

cc - Simon M. Sheldon
Deputy Insurance Commissioner